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INVESTMENT OUTLOOK AND STATISTICAL ISSUE

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INVESTMENT OUTLOOK: BONDHOLDER COMMITTEES RISING TO DEAL WITH SUBORDINATED DEBT

Almost imperceptibly, bondholder committees are beginning to make themselves felt in the continuing effort to salvage something for subordinated debt holders of the most deeply troubled REITs. Right now subordinated debt holders who bought at initial offering prices are bitter because they are exposed to squeeze plays by REIT managers and their banks. And they're frustrated because they do not feel represented at all by the bond indenture trustees. Hence the move toward bondholder committees may help to relieve some frustrations, if nothing else.

The crunch on subordinated debt holders is coming because maturity dates are fast approaching: \$433 million of public debt issues comes due in the next 3½ years through April 1980; another \$385 million comes due over the following three years. Altogether \$818½ million public debt issued by 28 trusts must be dealt with. The heat's on the subordinated debt holders because the estimates of time needed to liquidate problem investments now being made public by REIT managers make clear that very few trusts currently expect to be able to liquidate their portfolio fast enough to repay both banks and their subordinated debt holders on maturity.

In fact, these liquidation schedules indicate many REIT managers have no real plan to repay the subordinated debt. Thus the current spate of cash tender offers, pending exchange offers to lengthen maturity, and requests that subordinated holders let trusts pledge some or all of assets to their banks. By and large the indenture trustees have stood aloof in all this, apparently hoping that the banks and trusts would work out something to avert bankruptcy for the most troubled trusts. This

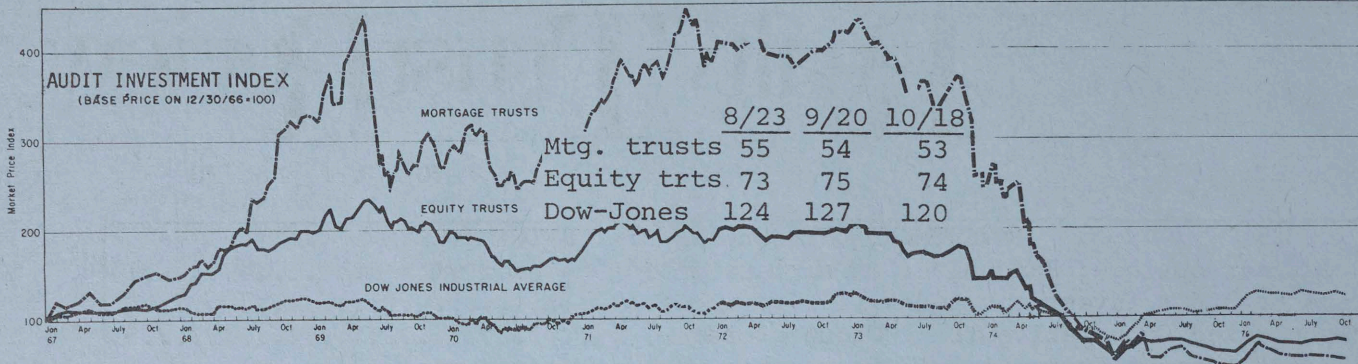
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GROUP RATES ON REQUEST



leads to the growing feeling that subordinated debt holders are being cherry picked to the benefit of banks and shareholders.

So enter the bondholder committees. Actually there are only two such committees formed or being formed, and the circumstances surrounding them are so diverse that the only generalization one can make is that they exist. Most indenture trustees have power to convene bondholder committees under nearly all bond indentures. But indenture trustees rarely convene such committees on their own because to do so might expose them to legal liability. Hence the varying circumstances.

The one committee operating is an informal and ad hoc group representing a small group of holders of the 8% subordinated debentures due 1987 of Dominion Mortgage & Realty Trust. What happened is that customers of one office of a brokerage firm that sold a sizeable portion of the \$11 million issue in 1972 have banded together and retained Eugene Landy, attorney who is also executive officer of Monmouth REIT in Eatontown, N.J. Landy says a suit is expected soon to make sure that bondholders are treated fairly in current negotiations between Dominion and its banks. Dominion's banks called their line to the trust last March and three banks subsequently sued for repayment; both parties are still talking.

Last week State Mutual Investors asked the indenture trustee for its 9% senior subordinated notes due 1980 to convene a meeting of holders to elect a committee to help draw up an overall plan to satisfy its obligations to its banks and noteholders. The trust did not call for a similar committee for the smaller \$3.2 million issue of 6-3/4% convertible subordinated debentures.

SMI's move carries with it overtones of trying to overcome opposition to an aborted cash tender offer plan from a state pension fund which holds about 18% of the \$25 million issue. Last June SMI proposed tendering for the 9s at 60% of par, and for the 6-3/4s at 40% of par. The proposal also called for a new subsidiary of the sponsor, State Mutual Life Assurance Co. of America, to pay \$4 in cash plus some preferred stock of a new State Mutual Life subsidiary for common shares. This plan is now dead for all intents and purposes; the news sent the 9s plummeting 13 points to about 50 on the NYSE. The call for the bondholder committee is an attempt to get an alternate plan going, and to bring more smaller bondholders into the discussions. SMI subsequently reported a big loss for the September period and the NYSE is reviewing listing status.

(Continued on page 7)

NONEARNING INVESTMENTS LEVEL

Our monthly tally of nonearning investments shows a continued flat trend:

Group	Number	---Invested assets---		Non-earn.	Month %
		Non-earning	Total		
Short-term mortgage.....	59	\$7,281MM	\$ 9,803MM	74%	-1.5%
Inter. & long-term mtg....	28	1,710	4,162	41	-0.5
Equity & combination.....	44	954	3,555	27	-0.4
TOTALS/AVERAGES.....	131	\$9,945	\$17,520	57%	-1.2%

DIVIDEND TRENDS: PAYMENTS HELD IN OCTOBER WITH NO REDUCTIONS

Four trusts made small increases in their October declarations compared to the previous quarter while there were no reductions. Comparisons also stood up well to a year ago with two boosts offsetting two declines and nine were maintained. First Union, an old, solid equity trust, raised payment a cent after four years at the old rate. Lomas & Nettleton Mortgage and United Realty also raised a cent and while still behind a year ago, indicated turnaround particularly for United which has trended up for a few quarters. Wells Fargo Mortgage raised two cents from the last quarter and paid nothing last year. Cash payment was a cent more than earnings but the current dividend is underpinned by prior disbursements below earnings. More important, fundamentals improved with the return on foreclosures jumping sharply from negligible a year ago. The steady payers were mostly long-term and equity trusts with M&T Mortgage the lone short termmer in this group.

Our tally of declarations

	Up	Same	Down	Total	%Change
Oct.	4	9	0	13	+ 1%
Year	25	86	16	127	--
-----From previous year-----					
Oct.	2	9	2	13	- 5%
Year	31	47	49	127	--

Trust	Record date	--Dividend/share-- Latest	Previous	--Net change-- Amt. Percent	Special	Year Ago	% Change
Connecticut Gen. M&R	10/29	\$0.40	\$0.40	--	NC	\$0.40	NC
Consolidated Cap.Rly	10/18	0.1684M	0.1684	--	NC	0.1667	+1
Denver REIA	10/20	0.15	0.15	--	NC	0.15	NC
Equitable Lf M&R	10/15	0.50	0.50	--	NC	0.50	NC
First Union RE	10/20	0.25	0.24	+0.01	+4	0.24	+4
Hospital Mtg.	10/15	0.15	0.15	--	NC	0.15	NC
Hotel Investors	10/27	0.35	0.35	--	NC	0.35	NC
JMB Realty	10/14	0.40	0.40	--	NC	0.40	NC
Lomas & Nettleton Mt.	10/22	0.21	0.20	+0.01	+5	0.51	-59
M&T Mortgage	10/4	0.26	0.26	--	NC	0.26	NC
New Plan Realty	10/15	0.075M	0.075	--	NC	0.07	+7
Nowstrn Mt. M&R	10/22	0.25	0.25	--	NC	0.25	NC
REIT of America	10/15	0.35	0.35	--	NC	0.35	NC
United Realty	10/15	0.16	0.15	+0.01	+7	0.17	-6
Wells Fargo Mtg.	11/5	0.12	0.10	+0.02	+20	0.00	a
TOTALS (13 Trusts)b		\$3.55	\$3.50	+\$0.05	+1%	\$3.73	-5%

a-Not compared. b-Excludes monthly and special declarations. NC=no change. M-monthly.

COMPARATIVE TRUST GROUP AVERAGES 10/20/76

GROUP	SHARE N (000)	BOOK VALUE	ANN DIV*	EARN ANN*	LAST PRICE	-% CHNG MON	FROM-- AGO	JAN 1	P/E RATIO	ANN* YIELD	% PR TC BK	RETURN CN BK	MARKET VALUE
EQUITY TRUSTS	20	2040	11.91	0.80	0.99	9.73	0.1	17.2	9.8	8.2	-18.3	8.3	493.6
EQUITY AND MORTGAGE COMBIN	21	1618	9.75	0.26	0.30	4.64	0.4	21.9	15.5	5.5	-52.4	3.1	140.9
SUBORDINATED LAND TRUSTS	3	2689	12.81	0.40	0.61	5.58	-5.7	-12.4	9.1	7.2	-56.4	4.8	40.5
AVERAGE 3 EQUITY GROUPS	44	1883	10.94	0.51	0.64	7.02	-0.1	16.4	11.0	7.3	-35.8	5.8	675.0
SHORT-TERM MTG-INDEPENDENT	16	3620	0.71	0.00	0.07	0.71	-4.5	-15.1	9.9	0.6	0.5	10.2	23.2
SHORT-TERM MTG-MTG BANKER	17	2075	8.81	0.28	0.23	4.00	-2.6	4.4	17.0	7.1	-54.6	2.7	148.8
SHORT-TERM MTG-COMCL BANK	17	2314	3.98	0.03	0.19	2.01	-6.0	9.9	10.3	1.4	-49.5	4.9	86.5
SHORT-TERM-MISC FINCL	9	2791	6.94	0.01	0.01	1.93	-4.1	-5.4	145.0	0.7	-72.1	0.2	39.8
AVERAGE 4 SHORT-TERM GROUPS	59	2672	4.94	0.09	0.15	2.22	-3.8	2.3	15.3	4.2	-55.1	2.9	298.2
INTERMEDIATE-TERM MORTGAGES	6	3395	3.98	0.35	0.35	3.54	-1.7	30.7	10.0	10.0	-11.0	8.9	37.6
LONG-TERM MTG & EQUITIES	22	2925	12.37	0.45	0.42	6.11	-1.1	16.8	14.6	7.3	-50.6	3.4	552.1
AVERAGE LONG & INTERMEDIATE	28	3025	10.58	0.43	0.40	5.56	-1.2	18.5	13.7	7.7	-47.4	3.8	589.7
OVERALL AVERAGE	131	2483	8.16	0.31	0.37	4.55	-1.2	13.5	12.4	6.7	-44.3	4.5	1563.0
DOW-JONES INDUSTRIAL AVERAGE						90.68	949.97	-6.4	+11.4	10.5	4.0	*Latest quarter annualized	

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Alison Mtg.-b	OCx	8.75%	'79	\$25.0	\$24.00	0%	36%
Atico Mtg.-c#	NY	6.75	'82	16.9	56.50	+ 1	12
BT Mtg. Inv.-c	OC	5.75	'82	20.0	48.00	- 8	12
Barnett Mtg.-c#	OC	6.75	'91	17.3	14.00	- 22	48
Barnett Mtg.-cd	OC	8.50	'98	30.0	21.00	- 9	40
Barnett-Win.-ce	OC	8.25	'98	30.0	33.00	0	25
Cabot C&F Land-c	NY	8.50	'81	23.0	46.25	- 9	18
Chase Man. Tr.-a	NY	7.88	'78	50.0	73.50	- 8	11
Chase Man. Tr.-c	NY	7.50	'83	60.0	53.50	- 9	14
Cit.&So. Rlty.-c#	OC	6.75	'78	30.0	37.00	- 3	18
Cit. Mtg. Inv.-b	ASx	8.50	'80	20.0	16.00	- 45	53
Colwell Mtg.-b	NY	8.20	'80	25.0	45.50	+ 26	18
Cont. Ill.Rl.-b	NY	7.63	'79	25.0	70.50	- 2	11
Cousins M&E-c	NY	6.50	'82	30.0	39.00	- 5	17
First Mtg.-a	OC	6.75	'82	12.6	28.00	+ 33	24
First Mtg.-a	OC	8.25	'77	23.5	47.00	+ 12	18
First Virg.-b	OC	8-12f	'80	20.0	21.00	- 28	39
Great Amer.Mtg.-b	OC	7.55	'79	25.0	8.00	+ 14	100+
Great Amer.Mtg.-c	OC	8.75	'83	25.0	8.00	+ 14	100+
Guardian Mtg.-b	NY	7.50	'79	25.0	41.88	- 3	18
Guardian Mtg.-c#	AS	6.75	'86	8.6	31.63	- 10	21
Gulf Mtg.&Rl.-c#	AS	7.70	'80	20.0	56.00	- 11	14
IDS Realty-h	OC	--	--	179.8	20-40	0	NC

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Insti. Inv.-b	NY	7.88	'80	\$20.0	\$61.75	- 5%	13%
Justice Mtg.-b	OC	7.75	'79	19.6	30.00	- 12	26
LMI Investors-c	NYx	6.75	'82	25.0	17.00	0	40
Midland Mtg.-b	NY	8.00	'80	18.5	60.00	- 3	13
Mtg.Inv.Wash.-b	OC	8.50g	'80	15.0	45.00	+ 2	18
NJB Prime Inv.-c#	OC	7.00	'80	12.9	18.00	0	39
No.Amer. Mtg.-c	NY	5.50	'79	27.8	80.00	+ 5	7
New Plan Rlty.-c	OC	8.50	'91	1.0	60.00	0	14
Saul (B.F.)-c	NY	8.50	'80	25.0	83.50	+ 2	10
State Mut. Inv.-b	NYx	9.00	'80	25.0	45.00	- 30	20
Security Mtg.-#	AS	7.25	'82	50.0	70.13	+ 1	10
Security Mtg.-c#	OC	6.00	'82	17.1	55.00	+ 12	11
Tri-South Mtg.-b	NY	7.75	'80	25.0	41.50	- 9	19

Description: a-Senior; b-Senior subordinate; c-Subordinate or junior subordinate. d-Convertible at \$39 till 9/1/78 when price may be adjusted. e-Convertible at \$31 till 12/1/78 when price will be adjusted. f-Variable at 1% over monthly prime. g-Variable rate at 1% over prime in Oct. and April. h-Five series, A-B: 6-7/8, 7-1/8, 7-3/8, two variable; 1987-94.

x-Suspended by exchange.

#-May be used at par to exercise warrants.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MON	ANN*	LAST PRICE	-% MGN	CHNG AGO	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RET ON EK	MKT VA (MIL\$)
EQUITY TRUSTS															
API TRUST #	O-APITS	1012	11.89	0.40	JUN	0.76	3.75	0.0	-25.0	4.9	10.7	-68.5	6.4	3.8	
C I REALTY #	N-CIX	2609	16.73	0.00	MAY	0.39	3.25	-7.1	18.2	8.3	0.0	-80.6	2.3	8.5	
CITIZENS GR*	O-CITGS	811	10.76	0.00	APR	0.00	0.75	0.0	-25.0	0.0	0.0	-93.0	0.0	0.6	
CON ILL PRO#	N-CIE	4808	20.16	1.28	JUL	1.40	14.25X	1.3	44.2	10.2	9.0	-29.3	6.9	68.5	
CONSO CAP R#	O-CCPLS	2000	21.53	2.02	MAY	1.88	23.00X	3.0	-8.0	12.2	8.8	6.8	8.7	46.0	
DENVER REI #	O-DENVS	1091	8.64	0.60	JUN	0.76	6.88X	2.2	3.8	9.1	8.7	-20.4	8.8	7.5	
FEDERAL RLTY	A-FRT	1238	9.74	1.24	JUN	1.04	13.50	0.9	22.7	13.0	9.2	38.6	10.7	16.7	
FIRST UNION#	N-FUR	3991	8.52	1.00	JUL	1.12	11.75X	2.1	18.9	10.5	8.5	37.9	13.1	46.9	
FLORIDA GLF#	O-FGLFS	975	15.86	1.28	JUL	1.28	11.00	-8.3	15.8	8.6	11.6	-30.6	8.1	10.7	
FST FIDELTY#	O-FFITS	866	10.74	0.00	MAY	0.00	2.63	-4.4	5.2	0.0	0.0	-75.5	0.0	2.3	
GENERAL GRO#	N-GGP	6202	6.52	1.40	JUN	1.40	19.88	2.6	27.2	14.2	7.0	204.9	21.5	123.3	
GOULD INVST#	A-GTR	1179	6.67	0.00	JUN	1.65	2.63	-6.4	-12.3	1.6	0.0	-60.6	24.7	3.1	
GREIT RLY#	A-GRT	998	10.84	0.40	JUL	1.16	5.50X	-0.5	18.8	4.7	7.3	-49.3	10.7	5.5	
HUBBARD REI	N-HRE	4004	21.87	1.20	JUL	1.32	14.38	-5.0	29.2	10.9	8.3	-34.2	6.0	57.6	
NEW PLAN RL	O-NPLNS	1330	2.24	0.90	APR	0.88	8.75X	-4.6	52.2	9.9	10.3	290.6	39.3	11.6	
PENN REIT #	A-PEI	1516	11.96	1.15	MAY	1.68	12.00	0.0	23.1	7.1	9.6	0.3	14.0	18.2	
REIT OF AMER	A-REI	1633	21.03	1.40	AUG	1.00	16.13X	3.0	4.9	16.1	8.7	-23.3	4.8	26.3	
SUMMIT PROP#	O-SMMTS	1554	7.35	0.00	JUL	0.21	1.50	-33.3	-14.3	7.1	0.0	-79.6	2.9	2.3	
WASH REIT #	A-WRE	1473	10.64	1.76	JUN	1.92	21.50	6.8	45.8	11.2	8.2	102.1	18.0	31.7	
WISC REI FD#	O-WREIS	1514	4.58	0.00	JUN	0.00	1.63	0.0	30.4	0.0	0.0	-64.4	0.0	2.5	
GROUP AVERAGE		2040	11.91	0.80		0.99	9.73	0.1	17.2	9.8	8.2	-18.3	8.3	493.6	
EQUITY AND MORTGAGE COMBINATION TRUSTS															
AMER REALTY	A-ARB	2222	3.02	0.00	JUN	0.00	0.38	52.0	-66.4	0.0	0.0	-87.4	0.0	0.8	
BANKAM RLTY	O-BRLTS	3547	14.67	0.20	JUL	0.12	6.25	0.0	4.2	52.1	3.2	-57.4	0.8	27.2	
BRT RLTY TR	A-BRT	1400	6.15	0.00	MAY	0.00	0.69	-8.0	38.0	0.0	0.0	-88.8	0.0	1.0	
FLATLEY RLTY	O-FLTLS	1000	6.50	0.00	JUN	0.77	1.50	-25.0	50.0	1.9	0.0	-76.9	11.8	1.5	
FRANKLIN RLY	A-FR	999	7.68	0.00	JUN	0.00	3.38	-12.9	107.4	0.0	0.0	-56.0	0.0	3.4	
HOTEL INVSTR	A-HOT	1545	18.12	1.40	MAY	1.40	13.75	4.7	23.5	9.8	10.2	-24.1	7.7	21.2	
INDIANA M&R#	O-INDMS	1154	12.31	0.00	JUN	0.00	2.25	-18.2	12.5	0.0	0.0	-81.7	0.0	2.6	
INVESTOR RL#	A-IRT	1579	10.73	0.00	AUG	0.04	2.88	-11.4	-30.3	72.0	0.0	-73.2	0.4	4.5	
JMB REALTY#	O-JMBRS	510	18.16	1.60	MAY	1.44	12.25X	4.3	22.5	8.5	13.1	-32.5	7.9	6.2	
LINCOLN MTG*	O-LAMGS	1155	1.89	0.00	JUN	0.22	0.31	-18.4	24.0	1.4	0.0	-83.6	11.6	0.4	
MILLER HEN S	O-HSMTS	560	16.75	0.00	AUG	0.05	6.50	4.0	36.8	130.0	0.0	-61.2	0.3	3.6	
NJB PRIME	O-NJB	1280	-6.91	0.00	MAY	0.00	0.13	0.0	0.0	0.0	0.0	NEG.	0.0	0.2	
PLAZA REALTY	O-PNE	1114	4.27	0.00	JUN	0.00	0.50	0.0	-55.8	0.0	0.0	-88.3	0.0	0.6	
RIVIERE RLY#	O-RIVI6	783	8.13	1.00	JUN	1.12	8.38X	4.6	-1.4	7.5	11.9	3.1	13.8	6.6	
RLTY INCOME	A-RII	1565	11.55	1.20	JUL	0.04	10.13	3.9	76.2	253.2	11.8	-12.3	0.3	15.9	
SAN FRAN RE#	A-SFI	1348	19.95	0.00	JUN	0.44	7.50	-6.3	121.9	17.0	0.0	-62.4	2.2	10.1	
SAUL (BFI)REI	N-BFS	5658	7.88	0.00	JUN	0.00	3.13	0.0	-7.4	0.0	0.0	-60.3	0.0	17.7	
US BANCORP #	A-UBT	840	17.17	0.00	AUG	0.00	6.38	13.3	11.0	0.0	0.0	-62.8	0.0	5.4	
US REALTY #	N-UTY	3434	4.57	0.00	JUN	0.00	1.75	-6.9	-12.5	0.0	0.0	-61.7	0.0	6.0	
VIRGINIA RE#	O-VARES	1251	9.91	0.00	JUN	0.64	5.75	9.5	64.3	9.0	0.0	-42.0	6.5	7.2	
WALTER RLTY#	O-WALJS	1035	12.28	0.00	JUL	0.00	3.75	-11.8	-6.3	0.0	0.0	-69.5	0.0	3.9	
GROUP AVERAGE		1618	9.75	0.26		0.30	4.64	0.4	21.9	15.5	5.5	-52.4	3.1	140.9	
SUBORDINATED LAND TRUSTS															
CABOT LAND	N-CFT	2992	7.20	0.00	MAY	0.00	1.75	0.0	-30.0	0.0	0.0	-75.7	0.0	5.2	
ICM REALTY	A-ICM	3011	17.57	0.00	AUG	0.64	4.50	-12.3	-46.3	7.0	0.0	-74.4	3.6	13.5	
PROPERTY CAP	A-PCL	2065	13.67	1.20	JUL	1.20	10.50	-3.5	27.3	8.8	11.4	-23.2	8.8	21.7	
GROUP AVERAGE		2689	12.81	0.40		0.61	5.58	-5.7	-12.4	9.1	7.2	-56.4	4.8	40.5	
SHORT-TERM MTG-MTG BANKER															
ATICO MTG IN	N-ACO	2706	7.66	0.00	JUL	0.13	1.88	-6.0	25.3	14.5	0.0	-75.5	1.7	5.1	
BAIRD & WARNR	O-BAIDS	1043	17.50	0.96	JUL	0.00	7.25X	-1.8	23.3	0.0	13.2	-58.6	0.0	7.6	
BARNES MTG	O-BARNS	1910	14.29	0.00	JUN	0.00	1.63	-18.5	-27.6	0.0	0.0	-88.6	0.0	3.1	
CENTRAL MTG	O-CMRTS	775	13.71	0.00	JUN	0.00	2.38	-4.8	-24.0	0.0	0.0	-82.6	0.0	1.8	
COLWELL MTG	N-CLM	2030	3.04	0.00	JUN	0.00	1.25	-9.4	-28.6	0.0	0.0	-58.9	0.0	2.5	
FIRST CONTNL	O-FCRES	2106	10.24	0.80	AUG	0.80	7.25X	-2.4	45.0	9.1	11.0	-29.2	7.8	15.3	
FRASER MTG I	O-FRASS	1038	16.40	1.00	AUG	1.00	8.25X	3.0	0.0	8.3	12.1	-49.7	6.1	8.6	
GUARDIAN MI	N-GMI	3000	-11.91	0.00	AUG	0.00	1.13	-24.7	-30.7	0.0	0.0	NEG.	0.0	3.4	
HEITMAN MTG	A-HTM	3292	3.76	0.00	JUN	0.14	1.13	-18.1	13.0	8.1	0.0	-69.9	3.7	3.7	
JUSTICE MTG	N-JMI	1184	3.97	0.00	JUN	0.00	1.88	0.0	15.3	0.0	0.0	-52.6	0.0	2.2	
KMC MTG IN	O-KMTGS	1100	4.55	0.00	MAY	0.00	0.38	0.0	-49.3	0.0	0.0	-91.6	0.0	0.4	
LOMAS & NTLN	N-LOM	3700	31.59	0.84	SEP	0.84	13.38X	-4.6	-8.5	15.9	6.3	-57.6	2.7	49.5	
M&T MTG INV	O-MTMIS	1482	10.25	1.04	AUG	1.04	8.38X	3.2	31.3	8.1	12.4	-18.2	10.1	12.4	
MIDLAND MTG	N-MMT	2382	2.42	0.00	JUN	0.00	1.50	20.0	8.7	0.0	0.0	-38.0	0.0	3.6	
NO AMER MTG	N-NAM	4403	13.26	0.20	JUN	0.00	3.13	-16.5	-43.1	0.0	6.4	-76.4	0.0	13.8	
SUTRC MTG IN	N-SUT	2322	15.15	0.00	SEP	0.04	6.63	8.2	60.5	165.7	0.0	-56.2	0.3	15.4	
TMC MTG INV	O-TMG	800	-6.13	0.00	JUN	0.00	0.50	-20.6	100.0	0.0	0.0	NEG.	0.0	0.4	
GROUP AVERAGE		2075	8.81	0.28		0.23	4.00	-2.6	4.4	17.0	7.1	-54.6	2.7	148.8	

#NET CASH FLOW, SEE PAGE 6. *GROSS CASH FLOW. NEG.-NEGATIVE BOOK VALUE. VJ-IN BANKRUPTCY REORGANIZATION.
ARROWS DENOTE NEW EARNINGS OR DIVIDEND REPORTS AND DIRECTION. ZEROES INDICATE LOSS OR NO EARNINGS FOR QUARTER SHOWN.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN ANN*	LAST PRICE	% CHNG MCN AGO	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RET CN BK	MKT VA (MILS)
SHORT-TERM MTG-INDEPENDENT													
	BUILDERS INV	O-BULDS	2929	-0.39	0.00	JUN	0.00	0.25	0.0	0.0	NEG.	0.0	0.7
	CAPITAL MI	N-CMU	1675	1.89	0.00	JUN	0.43	1.13	0.0	13.0	2.6	0.0	1.9
VJ	CONTNLT MTG	O-CMI	20838	-4.34	0.00	JUN	0.00	0.05	-61.5	-83.3	0.0	0.0	1.0
	DOMINION M&R	O-DMRTS	639	0.79	0.00	FEB	0.00	0.13	-48.0	-65.8	0.0	0.0	0.1
VJ	FIDELITY MI	O-FID	3046	-17.46	0.00	APR	0.00	0.14	-30.0	366.7	0.0	0.0	0.4
	FIRST MTG IN	O-FIM	8495	-6.90	0.00	APR	0.00	0.13	-48.0	-48.0	0.0	0.0	1.1
	GRT AMER MI	O-GAA	4456	-11.13	0.00	APR	0.00	0.25	-34.2	0.0	0.0	0.0	1.1
	HAMILTON INV	O-HAMTS	2095	6.25	0.00	JUN	0.00	0.88	39.7	0.0	0.0	0.0	1.8
	MISSION INV	A-MIT	1812	5.58	0.00	MAY	0.72	1.25	-9.4	66.7	1.7	0.0	2.3
	MTG INV WASH	O-MINVS	2146	7.56	0.00	JUN	0.00	2.13	-14.8	-46.8	0.0	0.0	4.6
VJ	NATIONAL MTG	O-NMF	2353	0.79	0.00	MAY	0.00	0.15	15.4	150.0	0.0	0.0	0.4
	REPUBLIC MI	N-RMI	2107	6.24	0.00	JUN	0.00	1.25	25.0	10.6	0.0	0.0	2.6
	TEXAS 1ST MT	O-TFMRS	1055	7.09	0.00	JUN	0.00	0.88	0.0	-12.0	0.0	0.0	0.9
	TIERCO	O-GSR	1161	4.40	0.00	JUN	0.00	0.38	-32.1	-24.0	0.0	0.0	0.4
	UMET TRUST	N-UAT	2109	4.16	0.00	AUG	0.00	1.25	25.0	-16.7	0.0	0.0	2.6
	WESTERN MI	O-WMTGS	1002	6.79	0.00	AUG	0.00	1.13	-9.6	0.0	0.0	0.0	1.1
GROUP AVERAGE		3620	0.71	0.00	0.07	0.71	-4.5	-15.1	9.9	0.0	0.5	10.2	23.2

SHORT-TERM MTG-COMCL BANK													
	AMER FLETCHER	A-AFM	1352	4.81	0.00	JUL	0.00	1.00	-20.0	-53.1	0.0	0.0	1.4
	BARNETT MTG	O-BMT	2174	-2.92	0.00	JUN	1.82	0.25	0.0	92.3	0.1	0.0	0.5
	CAMERON-BROWN	N-CB	2016	10.79	0.00	JUN	0.00	1.63	-6.9	30.4	0.0	0.0	3.3
	CHASE MAN MT	N-CMR	4886	-13.37	0.00	AUG	0.85	2.13	-19.0	-29.0	2.5	0.0	10.4
	CITINATL DEV	O-CIT16	600	13.31	0.00	JUN	0.20	4.00	6.7	205.3	20.0	0.0	2.4
	CITIZENS MI	O-CZM	1421	-9.45	0.00	JUN	0.00	0.13	-65.8	-89.6	0.0	0.0	0.2
	CITIZENS&SO RL	N-CZS	3829	0.67	0.00	JUN	0.00	1.63	-6.9	-6.9	0.0	0.0	6.2
	CONT ILL RLY	N-CIR	2797	0.74	0.00	JUN	0.00	1.38	-8.0	-8.0	0.0	0.0	3.9
	FST COMMERCE	O-FCRNS	1008	15.18	0.00	JUN	0.00	4.50	0.0	12.5	0.0	0.0	4.5
	FST DENVR MI	O-FDENS	1621	-3.88	0.00	JUN	0.00	0.50	-43.2	-63.8	0.0	0.0	0.8
	FST PENN MT	N-PPM	2961	10.75	0.00	APR	0.00	1.63	-13.3	-23.5	0.0	0.0	4.8
	FST WISCN MT	O-FWM	1910	5.24	0.00	JUN	0.00	0.75	-25.0	19.0	0.0	0.0	1.4
	INDEPEND MTG	O-IMTGS	2500	-3.89	0.00	JUN	0.00	0.25	-43.2	-50.0	0.0	0.0	0.6
	MARYLAND RLY	O-MDRTS	760	7.89	0.00	MAY	0.00	2.13	-5.3	54.3	0.0	0.0	1.6
	TRI-SOUTH MI	N-TSI	2260	2.92	0.00	JUN	0.00	1.13	-18.1	126.0	0.0	0.0	2.6
	WACHOVIA RLY	N-WRI	3335	11.61	0.00	AUG	0.00	3.00	-7.7	9.1	0.0	0.0	10.0
	WELLS FAR MI	N-WFM	3911	17.25	0.48	SEP	0.44	8.13	8.4	47.8	18.5	5.9	31.8
GROUP AVERAGE		2314	3.98	0.03	0.19	2.01	-6.0	9.9	10.3	1.4	-49.5	4.9	86.5

SHORT-TERM-MISC FINCL													
	AMER CENTURY	N-ACT	2607	6.55	0.00	JUN	0.00	1.63	8.7	44.2	0.0	0.0	4.2
	BENEF STD MI	N-BSM	1355	3.44	0.00	APR	0.00	1.38	-8.0	-31.0	0.0	0.0	1.9
	CI MTG GROUP	N-CI	4812	0.49	0.00	JUL	0.00	0.63	-28.4	-37.0	0.0	0.0	3.0
	HANOVER SQ R	A-HSQ	946	11.32	0.00	MAY	0.00	3.75	3.3	30.2	0.0	0.0	3.5
	IDS RLTY TR	N-IDR	2409	-3.38	0.00	JUL	0.00	1.63	-6.9	-45.7	0.0	0.0	3.9
	INSTITUTNAL	N-INV	6074	7.53	0.00	JUL	0.00	1.13	-9.6	-18.1	0.0	0.0	6.9
	LMI INVSTORS	O-LWN	2009	-0.42	0.00	JUN	0.00	0.25	-34.2	-71.6	0.0	0.0	0.5
	MTG TRUST AM	N-MT	3860	12.93	0.00	AUG	0.00	3.00	-14.3	4.2	0.0	0.0	11.6
	NATIONWID RE	O-NRELS	1047	23.99	0.12	JUN	0.12	4.00	6.7	23.1	33.3	3.0	4.2
GROUP AVERAGE		2791	6.94	0.01	0.01	1.93	-4.1	-5.4	145.0	0.7	-72.1	0.2	39.8

INTERMEDIATE-TERM MORTGAGES													
	ALISON MTG I	O-AMV	2339	-14.64	0.00	JUL	0.00	0.13	-48.0	-79.4	0.0	0.0	0.3
	BARNET-WINST	O-BWITS	1663	2.34	0.00	JUN	0.00	0.38	0.0	-56.8	0.0	0.0	0.6
	DIVERSIFD MI	N-DMG	7327	8.26	0.00	JUN	0.00	0.88	-12.0	-22.1	0.0	0.0	6.4
	FST VIRGINIA	O-FVM	1208	3.05	0.00	JUN	0.00	0.50	0.0	-20.6	0.0	0.0	0.6
	RLTY REFUND	A-RRF	1045	18.44	2.12	JUL	2.12	17.75	0.0	44.9	8.4	11.9	18.5
	SECURITY MT	A-SMO	6787	6.46	0.00	JUN	0.00	1.63	-6.9	117.3	0.0	0.0	11.1
GROUP AVERAGE		3395	3.98	0.35	0.35	3.54	-1.7	30.7	10.0	10.0	-11.0	8.9	37.6

LONG-TERM MTG & EQUITIES													
	ATLANTA NATL	O-ATNAS	1260	10.97	0.00	MAY	0.00	1.19	-13.8	-4.8	0.0	0.0	1.5
	BT MTG INVTR	N-BTM	2116	0.12	0.00	JUN	0.00	1.63	-13.3	-23.5	0.0	0.0	3.4
	CLEVETST RL	O-CTRIS	2525	10.88	0.00	JUN	0.00	2.13	-5.3	21.7	0.0	0.0	5.4
	CON GEN M&R#	N-CGM	5715	19.41	1.60	JUN	1.56	17.88	3.7	31.2	11.5	8.9	102.2
	COUSINS M&EQ	N-CUZ	3854	1.51	0.00	AUG	0.00	1.38	-8.0	10.4	0.0	0.0	5.3
	EQUIT LF MTG	N-EQ	5597	23.62	2.00	JUL	2.04	22.38X	2.2	26.1	11.0	8.9	125.3
	FIDELCO GROW	A-FGI	1580	14.79	0.00	AUG	0.00	1.50	-29.6	-62.5	0.0	0.0	2.4
	FST MEMPHIS	O-FMEHS	1156	7.26	0.00	AUG	0.00	1.50	-20.2	-20.2	0.0	0.0	1.7
	GULF MTG&RLY	N-GMR	2210	6.40	0.00	AUG	0.00	1.38	-8.0	0.0	0.0	0.0	3.0
	HNC MTG&RLY	O-HNCMS	2388	4.77	0.00	JUL	0.00	0.63	-16.0	-44.2	0.0	0.0	1.5
	HOSPITAL MTG	A-HMG	1178	22.84	0.60	AUG	0.60	5.50X	-8.7	-4.3	9.2	10.9	6.5
	MASSMUT MTG	N-MML	4670	19.38	1.08	JUL	1.08	12.13	1.1	21.3	11.2	8.9	56.6
	MONY MTG INV	N-MYM	8825	10.03	0.92	AUG	0.80	10.63X	5.3	44.0	13.3	8.7	93.8
	MTG GROWTH I	A-MTG	2652	10.99	0.48	AUG	0.34	5.00X	-0.2	33.3	14.7	9.6	3.1
	NOWSTRN FINC	O-NFINS	1510	14.75	0.00	JUN	0.00	2.50	0.0	-4.9	0.0	0.0	3.8
	NOWSTRN MUTL	N-NML	4758	19.15	1.00	SEP	0.76	11.38X	-5.1	12.3	15.0	8.8	54.1
	OLD STONE MW	O-OSMRS	813	9.56	0.00	JUN	0.00	5.88	2.3	47.0	0.0	0.0	4.8
	PACIFIC STHN	O-PSMTS	814	11.67	0.15	MAR	0.00	5.25	-2.4	35.3	0.0	2.9	4.3
	PNB MTG& RL#	N-PNI	2437	18.46	0.40	JUN	0.68	7.25	-1.8	18.3	10.7	5.5	17.7
	RAM PACIFIC	O-RPACS	1890	18.00	0.96	AUG	0.72	9.00X	1.2	16.1	12.5	10.7	17.0
	STATE MUTUAL	N-SMU	2786	0.13	0.00	SEP	0.00	1.50	-29.6	-14.3	0.0	0.0	4.2
	UNITED RLTY	A-URT	3610	17.56	0.64	AUG	0.64	6.75X	6.3	17.4	10.5	9.5	24.4
GROUP AVERAGE		2925	12.37	0.45	0.42	6.11	-1.1	16.8	14.6	7.3	-50.6	3.4	552.1

CONVERTIBLE DEBENTURES

DEBENTURE	EX MAT	INT (%)	CONV AT	RECENT PRICE	YIELD (%)	% CHNG
ALISON MTG	OC '91	6.75	27.50	20.00	33.7	11.1
AMER CENTURY	AS '90	7.00	21.00	51.75	13.5	12.5
AMER CENTY'B	NY '91	6.75	28.00	50.63	13.3	8.3
AMER REALTY	OC '84	7.00	10.40	23.00	30.4	0.0
BAIRD&WARNER	OC '91	6.75	21.00	61.00	11.1	1.6
BANKAMERICA	OC '90	6.75	21.00	73.00	9.2	2.1
BENEF STD MI	AS '91	6.50	27.75	50.00	13.0	-3.8
CAPITAL MTG	OC '91	6.50	33.00	29.00	22.4	7.4
CHASE MANHTN	NY '96	6.50	55.00	40.50	16.0	-18.6
COLWELL MTG	OC '91	6.50	29.38	28.00	23.2	12.0
CONN GENERAL	NY '96	6.00	32.50	71.00	8.5	3.6
CONNTL MTG	OC '90	6.25	19.79	3.50	VJ	-51.7
EQUITBL LF M	NY '90	6.75	26.25	82.00	8.2	0.0
FIDELITY MI	OC '85	7.75	21.25	8.00	VJ	0.0
FIRST PENN M	OC '91	6.75	26.00	47.00	14.4	14.6
FIRST UNION	NY '91	7.00	13.00	88.00	8.0	1.1
FRANKLIN RLY	AS '89	7.00	10.00	66.63	10.5	5.5
GRT AMER MI	OC '91	7.00	35.50	3.00	233.3	-40.0
HANOVER SQ R	AS '92	7.25	21.00	63.00	11.5	-2.7
HEITMAN MTG	AS '92	7.50	14.70	53.00	14.2	-0.2
HMC MTG	OC '91	6.75	21.00	43.00	15.7	0.0
HOTEL INVSTR	OC '90	7.75	21.00	75.00	10.3	4.2
HOTEL INVTRS	OC '91	7.50	25.25	73.00	10.3	5.8
LINCOLN MTG	OC '90	8.00	11.00	41.00	19.5	-2.4
MASSMUTL MTG	NY '90	6.75	21.00	78.00	8.7	0.0
MASSMUTUAL M	NY '91	6.25	33.50	76.13	8.2	2.2
MIDLAND MTG	OC '86	7.00	16.67	40.00	17.5	-1.2
MONY MTGIN	NY '90	7.00	11.00	95.25	7.3	2.3
MTG INV WASH	CC '90	8.00	15.00	45.00	17.8	0.0
NATIONAL MTG	OC '91	7.00	12.00	7.00	VJ	0.0
NATIONWID RE	OC '91	7.00	28.50	56.50	12.4	-2.6
NJB PRIME	OC '91	6.75	21.00	15.00	45.0	-16.7
NOWSTRN MUTL	NY '91	6.00	21.00	74.13	8.1	-1.2
OLD STONE MT	OC '87	6.88	15.00	66.00	10.4	-7.0
RAM PACIFIC	OC '91	6.75	21.00	67.50	10.0	0.7
REALTY INCOM	AS '91	8.00	18.00	81.63	9.8	3.3
REPUBLIC MI	NY '90	9.00	19.00	76.00	11.8	3.9
SAUL (BF) RL	OC '91	6.50	23.00	56.25	11.6	-1.3
SAUL (BF) REI	OC '90	8.00	15.50	64.00	12.5	-1.5
STATE MUTUAL	AS '91	6.75	21.00	40.00	16.9	-7.0
SUTRO MIT	NY '82	6.75	20.00	79.00	8.5	3.9
SUTRO MTG	AS '91	6.75	20.00	66.00	10.2	4.8
TRI-SOUTH MI	NY '92	7.00	29.50	35.50	19.7	-3.4
US BANCORP	AS '92	7.00	26.25	68.63	10.2	0.0
US REALTY, IN	NY '89	5.75	20.20	49.63	11.6	-2.7

VJ-IN BANKRUPTCY REORGANIZATION

WARRANTS

NAME	EXCH/ SYMBCL	EXP DATE	OUT (000)	EXER PRICE	NO. SH.	WTS PRICE	STK PRICE	CONV PREM	% CHG	MKT VA (MIL \$)
AMER CENTURY	A-ACTW	6/78	897	23.00	1.0	0.06	1.63	1314.7	-53.8	0.1
ATICO MTG IN	A-ACOW	12/79	563	15.00	1.0	0.44	1.88	721.3	-45.7	0.2
BARNES MTG	O-BARNW	12/77	1910	20.00	1.0	0.13	1.63	1135.0	0.0	0.2
BARNTT-WINST	O-BWITW	7/77	1657	20.00	1.0	0.03	0.38	5171.1	0.0	0.0
BENEF STD MT	A-BSWV	7/80	554	20.00	1.0	0.19	1.38	1363.0	-24.0	0.1
BRT RLTY TR	A-BRTW	11/77	1400	10.00	1.0	0.06	0.69	1358.0	0.0	0.1
CAPITAL MTG	O-CMORW	11/79	471	20.00	1.0	0.01	1.13	1670.8	-66.7	0.0
CENTRAL MTG	O-CMRTW	3/77	775	20.00	1.0	0.13	2.38	745.8	0.0	0.1
COLWELL MTG	A-CLWV	12/77	225	20.00	1.0	0.13	1.25	1510.4	0.0	0.0
DENVER REIA	O-DENV5	5/77	177	11.00	1.0	0.13	6.88	61.8	0.0	0.0
FEDERAL RLT	O-FORLW	12/76	140	10.00	1.0	3.63	13.50	1.0	21.0	0.5
FIR MEMPHIS	O-FMEW	2/78	1124	20.00	1.0	0.03	1.50	1235.3	0.0	0.0
FIRST UNION	O-FUREW	12/77	600	12.75	1.0	0.56	11.75	13.3	12.0	0.3
GUARDIAN MI*	A-GMIW	7/79	241	36.00	1.0	0.13	1.13	3097.3	116.7	0.0
GULF MTG&RL*	A-GMRW	3/77	2210	20.00	1.0	0.03	1.38	1351.4	-50.0	0.1
HOSPITAL MTG	A-HMGW	2/77	1178	25.00	1.0	0.06	5.50	355.6	0.0	0.1
JMB REALTY	O-JMBRW	8/77	510	20.00	1.0	0.25	12.25	65.3	0.0	0.1
M&T MTG INV	O-MTWIZ	8/80	747	13.00	1.0	0.38	8.38	59.7	-39.7	0.3
MISSION INV	A-MITW	3/77	604	16.50	1.0	0.03	1.25	1222.4	0.0	0.0
MTG INV WASH	O-MINWV	3/80	931	15.00	1.0	0.06	2.13	607.0	-53.8	0.1
NATIONWID RE	O-NRELW	1/81	652	32.00	1.0	0.13	4.00	703.2	0.0	0.1
NORTH AM MTG	A-NAMW	3/79	710	31.13	1.0	0.25	3.13	902.6	0.0	0.2
NOWSTRN FINC	O-NFINW	11/77	1510	18.06	1.1	0.03	2.50	623.5	0.0	0.0
PLAZA REALTY	O-PNEW	11/77	1113	18.50	1.0	0.06	0.50	3612.0	0.0	0.1
PNB MTG&RLTY	A-PNIW	12/77	1220	20.00	1.0	0.13	7.25	177.7	0.0	0.2
REPUBLIC MI	A-RMIW	6/79	1064	20.00	1.0	0.13	1.25	1510.4	0.0	0.1
RLTY REFUND	O-RREFW	6/77	1013	20.00	1.0	0.63	17.75	16.2	12.5	0.6
SAN FRAN REI	A-SFIW	12/80	1348	25.00	1.0	0.38	7.50	238.4	-13.6	0.5
SECURITY MT*	A-SPOW	5/79	3117	16.00	1.0	0.19	1.63	893.3	0.0	0.6
SUTRO MIT(B)	A-SUTW	6/77	700	20.00	1.0	0.56	6.63	210.1	-11.1	0.4
SUTRO MTG IN	O-SUTR5	4/77	299	20.00	1.0	0.06	6.63	202.6	0.0	0.0
UNITED RLTY	A-URTW	12/79	3610	20.00	1.0	0.13	6.75	198.2	0.0	0.5
WELLS FARGO	O-WELLW	7/77	3458	20.00	0.5	0.13	8.13	149.2	0.0	0.4

*DEBENTURES USABLE IN LIEU OF CASH.

HOW TO USE COMPARATIVE TRUST STATISTICS

These data are designed to facilitate comparison of relative efficiency of real estate investment trust managements with available funds. Readers should note that historical data are used and thus no earnings or dividend projections or estimates are included. Investors are advised to consider carefully the following distinctive characteristics of REITs compared with other industrial or financial securities:

Annualized Dividend and Yield: Most REITs do not pay a posted quarterly dividend rate but instead pay their approximate earnings (or net cash flow, if appropriate) for the quarter. They follow this practice because REITs are required to pay at least 90% of earnings to shareholders in order to qualify for exemption from Federal income taxes. This practice means that dividends paid by most REITs will vary much more from quarter to quarter than industrial securities. This possibility for quarterly variations gives REIT shares higher risk because earnings do not provide a safety margin of coverage for the dividend as they do for industrial stocks. The outlook and stability of dividends are thus key factors in our **RELATIVE APPEAL RANKINGS**. The "Annualized Dividend" column is the latest quarterly payout annualized by multiplying by four, and adjusted for any capital gains or other special dividend payments. Special dividends, marked "S", are paid to maintain tax exemption but are not expected to be continued in subsequent quarters. Because of these possible variations, annualized dividends and yield are not to be considered in any way as posted or guaranteed yields.

Annualized Earnings and Price/Earnings Ratio: For mortgage trusts, latest quarter earnings are multiplied by four. Zeroes indicate losses or no earnings for the quarter indicated. Losses per share are shown in **RELATIVE APPEAL RANKINGS**. For equity trusts, annualized net cash flow as calculated by Audit Investment Research, Inc. is used in place of earnings as the best single measure of results. Net cash flow is defined as net income plus depreciation minus mortgage amortization. The symbol "\$" indicates cash flow in the earnings column. For a few trusts, gross cash flow (i.e., net income plus depreciation) is used, denoted by "\$*". Cash flow derived from amortization of debt discount is denoted by "@". The price/earnings ratio relates current price to the most appropriate earnings result. Both earnings (EPS) and net cash flow (CFS) per share for equity trusts for current periods are shown in **RELATIVE APPEAL RANKINGS**, and in the quarterly REIT PERFORMANCE RECORD issue.

Shares: The number of shares outstanding, in thousands, is the number issued as of the latest balance sheet and is not adjusted for any potential conversion of debentures or exercise of warrants. **Book value per share** is essentially net tangible worth per share. The number does not reflect any changes in asset values through appreciation or abnormal depreciation of assets, nor any potential increase from possible conversion of debentures. Realized and estimated investment losses, as determined by management's provision for possible losses, are deducted from book value under AICPA rules. Audit also deducts intangible debt discount and expense costs from book value.

Trusts are grouped into nine categories under three major groupings to facilitate comparison. The category used for each trust is shown in **RELATIVE APPEAL RANKINGS**. **Equity and combination** groups include **Equity** trusts with over 80% of invested assets in direct ownership of completed income producing properties; **Equity & Mortgage combination** which balance investments between equity ownership and mortgages; and **Subordinated Land** trusts, investing primarily in ownership of land beneath income producing properties and leased to building operators.

Short-term mortgage groups invest primarily in mortgages under three years maturity, mainly construction, land development and other interim loans. They are grouped by sponsorship as follows: **Mortgage banker; Independent; Commercial bank; and Miscellaneous financial institutions.**

Intermediate & long-term mortgage groups are classed as intermediate-term for those whose predominant holdings mature in three to 10 years; and **long-term** for those with loans maturing in over 10 years, and generally with some equity investments.

Continued from page 2

Whether these committees can accomplish anything to protect public debtholders remains to be seen. Bondholder committees have operated in the railroad industry, most notably recently a committee which has been active in the Penn Central bankruptcy. Landy, for instance, maintains that when situations become very complex, only a skilled attorney can comb through the wreckage and determine whether bondholders have a cause for action and possible recovery from trustees, banks, or others. For instance, subordinated debt holders of U.S. Financial Corp., once a major real estate developer, apparently will get some payment in a Chapter X plan to be filed next month, based upon damages they have asserted for alleged violations of Federal and state securities laws.

The real vulnerability of subordinated debtholders arises from their unique standing in the middle of priorities of debt under a bankruptcy proceeding. Basically these holders stand behind secured mortgage debt and unsecured senior debt, provided by banks in this case. For the REITs, bank debt dwarfs all other types of debt and thus the banks have the whip hand.

In hindsight, there's serious doubt that REITs should ever have issued subordinated debt with relatively short terms, and often without sinking funds or other periodic

repayment provisions. This is because REITs must pay 90% of earnings to shareholders and cannot build a cushion of retained earnings to repay term debt. At root these public debt issues can only be repaid with funds from three sources: 1) new equity issues, 2) bank borrowings, and 3) liquidation of investments. The first two courses are effectively out for the foreseeable future.

The third course, liquidation of investments, is most painful because of the enormous load of senior bank debt that banks insist would have to be paid off before subordinated debt is repaid. Those numbers, shown in the table, are:

--The 28 trusts with debt maturing over the next 6½ years have borrowed \$4.3 billion from the banks, which has higher priority in nearly all instances than the \$942 million they've borrowed from the investing public.

--And 22 of these trusts have asked or are receiving interest rate cuts from their banks, the hallmark of a deeply troubled trust. These 22 have borrowed \$3.8 billion from the banks and \$722 million from the investing public.

In short, the banks are being asked to continue paying interest on this \$722 million to public investors while they themselves are receiving cash interest generally in the 1%-4% range. Now banks are being asked

REITS WITH NEAR-TERM DEBT MATURITIES - Mil. \$

<u>Trust</u>	<u>Bank debt</u>	<u>Public debt</u>	<u>Public % of bank</u>
Alison Mtg.....	\$154.3R*S*	\$28.25M	18%
Atico Mtg. Inv.	103.9R	18.67	18
BT Mtg. Inv....	113.9R	19.38	17
Cabot, C&F Land	113.6R	23.92	21
Chase Man. Tr..	644.9R	134.91	21
Cit.&So. Rlty..	358.8R	30.00	8
Citizens Mtg...	70.7R	20.00	28
Colwell Mtg ...	130.4R*	26.86	21
Cont. Ill. Rl..	220.0R	25.00	11
Cousins Mtg.&E.	201.9R	30.00	15
First Mtg.Inv..	350.9R	82.12	23
First Vir. Mtg.	53.4R	20.00	38
Grt.Amer.Mgmt..	289.2RS*	57.78	20
Guardian Mtg...	368.6R	33.82	9
Gulf Mtg. & Rl.	77.1R	20.00	26
Inst. Inv. Tr..	75.4	20.00	27
Justice Mtg....	41.7RS	19.64	47
LMI Investors..	102.5R*	25.00	24
Midland Mtg....	75.5R	22.79	30
Mtg. Inv.Wash..	69.7	15.00	22
National Mtg...	30.6RS#	8.43	28
No.Amer. Mtg...	77.1	27.82	36
NJB Prime Inv..	77.2RS	15.90	21
Saul(B.F.).....	148.2	62.66	42
Security Mtg...	68.3	67.91	100
State Mut.Inv..	71.1R*	28.18	40
Sutro Mtg.Inv..	18.5	20.75	112
Tri-South Mtg..	154.0R	37.38	24
TOTAL-28...	\$4,261.1M	\$942.17M	22%

R-Reduced interest rate. S-Secured by pledge of assets. * Pending or sought.

In Chapter XI.

DEBT MATURITIES THROUGH 1983 -- Mil. \$

1977First Mtg. Inv., 8 $\frac{1}{4}$ s-senior due July 1..\$23.5M1978

Chase Man. 7-7/8s-senior due May 1..... 50.0

Cit. & So. Rlty.-6-3/4s** due Oct. 15.... 30.0

First Mtg. Inv. 9s-senior-due Nov. 1.... 10.4

\$90.4

1979

Alison Mtg. 8-3/4s due May 15..... 25.0X

Cont. Ill. Realty 7-5/8s due Dec. 15.... 25.0

Great Amer. Mgmt. 7.55s due Oct. 1..... 25.0X

Guardian Mtg. Inv. 7 $\frac{1}{2}$ s due Dec. 1..... 25.0

Justice Mtg. Inv. 7-3/4s due Feb. 1..... 19.6

National Mtg. Fund 8s due Sept. 1..... 3.0C

North Amer. Mtg. 5 $\frac{1}{2}$ s due March 15..... 30.0

\$152.6

1980Citizens Mtg. Inv. 8 $\frac{1}{2}$ s due April 15..... 20.0X

Colwell Mtg. Tr. 8.2s due March 1..... 25.0X

First Vir. Mtg. 8-12s VR due Nov. 1..... 20.1

Gulf Mtg. & Rlty. 7.7s** due Feb. 1..... 20.0

Institutional Inv. 7-7/8s due Feb. 1..... 20.0

Midland Mtg. Inv. 8s due March 1..... 18.5

Mtg. Inv. of Wash. 8 $\frac{1}{2}$ s due Nov. 1..... 15.0

NJB Prime Inv. 7s** due March 31..... 12.9X

Saul (B.F.) REIT 8 $\frac{1}{2}$ s due Feb. 1..... 25.0

State Mutual Inv. 9s due Nov. 15..... 25.0X

Tri-South Mtg. 7-3/4s due Feb. 15..... 25.0

\$226.4

1981Cabot, C&F Land 8 $\frac{1}{2}$ s due March 31..... 23.0

First Mtg. Inv. 7s senior due Sept. 15.. 23.1

National Mtg. Fund 8 $\frac{1}{2}$ s due Aug. 15..... 5.0X

\$51.1

1982

Atico Mtg. Inv. 6-3/4s** due Feb. 15.... 16.9

BT Mtg. Inv. 5-3/4s due Jan. 15..... 20.0

Cousins Mtg. & Eq. 6 $\frac{1}{2}$ s due March 1..... 30.0

First Mtg. 6-3/4s senior due Dec. 15.... 12.6

LMI Investors 6-3/4s due Apr. 15..... 25.0X

Security Mtg. Inv. 7 $\frac{1}{4}$ s due May 1..... 50.0

" " " 6s due June 15..... 17.1

Sutro Mtg. Inv. 6-3/4s due June 1..... 17.5C

\$189.1

1983Chase Man. Tr. 7 $\frac{1}{2}$ s due Feb. 1..... 60.0

Great Amer. Mgmt. 8-3/4s due April 1.... 25.0X

\$85.0

by a few--and possibly growing number--REITs to advance additional funds to make cash tender offers at small fractions of par to some REIT debtholders.

What can the subordinated debt holder expect from all this? More and more uncertainty over interest payments, and more and more cash tender and or exchange offers as trusts seek to ease their bind. One and two years ago, trusts could negotiate terms with banks that likely couldn't be negotiated today. Cases in point: First Mortgage Investors was allowed by its banks to offer holders of its 9% senior notes full payment over three years; and Republic Mortgage Investors persuaded banks to pay two-thirds of a \$6.8 million issue.

Cash tender offers are popular. NJB Prime Investors tendered for \$25 million of two issues at 20¢ on the dollar and got 53%. NJB upped the ante to 22¢ per dollar if holders of \$10 million of the remaining \$15.9 million of subordinated debt would tender. Extended numerous times \$9 $\frac{1}{2}$ million have been tendered. Alison Mortgage tendered for two-thirds of \$25 million 8-3/4% notes maturing May 1979, \$9 million was tendered and the offer extended to Oct. 22. This evoked much comment since it was not made to two other issues.

Exchange offers are also appearing. Generally REITs seek to exchange new debt or preferred stock for current debt. Great American Management plans to exchange \$57.8 million of three subordinated debt issues for a package of cash and convertible preferred stock, cash and liquidating value to equal \$1,000. Chase Manhattan Mtg. is considering exchanging new convertible subordinated debentures for three issues of subordinated and convertible debt. A cash tender for the 7-7/8 senior notes is being pondered. No terms were announced and depend on bank negotiations.

Our advice to subordinated debt holders: Hold in most situations, especially if you bought near par, are a long-term investor oriented toward income. Buyers of deep discount bonds

X-Actual or expected default on interest payments. C-Convertible. VR-Variable rate
**May be used at par to exercise warrants.

should also hold and perhaps add to positions. Time and the difficulty of liquidating troubled real estate portfolios is running on your side.